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Letter dated 22 July 2000 from the Permanent Representative of Maldives to the United Nations addressed to the President of the Economic and Social Council

I have the honour to forward herewith a letter addressed to you from Mr. Maumoon Abdul Gayoom, President of the Republic of Maldives, regarding the recommendation of the Committee for Development Policy to graduate the Republic of Maldives from the list of the least developed countries (see annex).

I should be most grateful if you would kindly bring the present letter and its annex to the attention of the members of the Economic and Social Council and circulate it as an official document of the Council under agenda item 13 (a).

(*Signed*) Hussain **Shihab**
Permanent Representative

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Annex to the letter dated 22 July 2000 from the Permanent Representative of Maldives to the United Nations addressed to the President of the Economic and Social Council

Further to my letter dated 21 July 1999 addressed to your predecessor (E/1999/118 and Corr.1, annex). I was pleased with the decision taken by the Economic and Social Council at its resumed substantive session of 1999 that the Committee for Development Policy should undertake a comprehensive vulnerability profile of each threshold country prior to its graduation from the list of least developed countries. However, I regret that, despite the critical issues that I highlighted in the letter referred to above, the Committee has recommended in the report on its second session (E/2000/33), which is before the current substantive session of the Council, that Maldives be graduated with immediate effect.

While Maldives appreciates the efforts made by the Committee for Development Policy over the years to refine the criteria used in identifying least developed country status, we believe that a number of serious constraints on development still remain outside the scope of the current criteria. Many of these handicaps are particularly debilitating when a country is a small archipelago like Maldives.

As envisaged by the Committee for Development Policy, some of these shortcomings in the statistical approach would have been highlighted in the qualitative assessment made on the basis of a comprehensive country profile on vulnerability. However, the vulnerability profile of Maldives, which had been prepared by the United Nations Conference on Trade and Development (UNCTAD) for consideration by the Committee, was still in its draft stage, and it overlooked a number of fundamental aspects of, and constraints on, the country. The critical aspects that were left out do indeed demonstrate the low level of human resource development and economic vulnerability of Maldives, and cause the Government to be alarmed at the prospect of immediate graduation.

We believe that the level of human development in Maldives has been overestimated and the vulnerability of the economy underestimated. Although our per capita gross domestic product (GDP) is relatively high, the leakage of dollars through remittances made by foreign workers and repatriation of profits from the tourism industry substantially reduce the national income. The GDP per capita in the atolls, which account for 75 per cent of the total population, is only 584 dollars per annum. The extent of poverty in the country is also highlighted in the *Human Development Report 2000* issued by the United Nations Development Programme (UNDP).

The vulnerability of the economy is represented by the fact that imports account for 90 per cent of GDP; and by the fact that the fisheries sector has had to face a series of severe shocks during the past 30 years. Vulnerability is further exacerbated by high dependence on a single sector — tourism. While the direct contribution of tourism to GDP is 18.7 per cent, the dominance of the industry is, in fact, overwhelming, with travel and tourism constituting 68.4 per cent of the total exports.

The focus on the long-term threat of sea-level rise has caused the report to overlook the impact of natural weather on the economy and the already high amounts of assistance that have to be diverted to mitigation measures, urgently required even at the present time, to address the problem of storm surges, beach erosion, coral bleaching and saline intrusion. For the past decade or so, ecological pressures have forced the diversion of aid, earmarked for investment in social development, into environmental programmes.

In addition to concerns regarding these oversights, we are also worried about the impending consequences of graduation. Loss of preferential access to markets is likely to lead to the collapse of our tuna industry, which, given the inability to exploit economies of scale, is largely dependent on tariff concessions for competitiveness. The fisheries sector is at the present time beset with the worst crisis that it has had to face for a number of years, and loss of a market for canned tuna will have far-reaching impacts on the economy. A similar impact is inevitable in the garment industry.

Foreign direct investment (FDI) flows, already the lowest in all the countries for which the profiles were drawn up, are likely to slow down owing to the loss of preferential access, thereby magnifying the difficulties imposed on attracting foreign private capital due to high unit factor costs. Competitiveness in

this area cannot be achieved owing to the wide and fragmented dispersal of the population, the narrowness of the resource base and the fact that nearly all raw materials have to be imported with high international and domestic transportation costs.

The development of the country has been aid-dependent. One half of all aid has to be devoted to technical assistance owing to human resource capacity constraints. Loss of aid, therefore, will seriously impair programmes aimed at capacity-building and make the development status and achievements unsustainable.

In view of these critical factors, which have been overlooked in the vulnerability profile, my Government would like to request the Economic and Social Council to look into the matter more closely and defer the question of graduation of Maldives until all relevant and critical facts pertaining to our special case have been thoroughly examined and an accurate and proper analysis of the impending consequences of graduation has been made.

(*Signed*) Maumoon Abdul **Gayoom**